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Property



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The Austral

# Warning more supply alone will not lower housing prices

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The rise in Sydney and Melbourne house prices and worsening in housing affordability are signs of property market failure, which can only be solved with an injection of social housing, SGS Economics & Planning urban planner and NSW Planning Institute of Australia award winner Pat Fensham says.

Speaking at the University of Sydney's Festival of Urbanism, Mr Fensham said increasing market-based supply of housing has not dampened prices; prices have instead "tracked" new supply in recent years.

"The dry economists clutch on to the hope that supply can be sufficiently oiled to meet demand by planning just getting out of the way and allowing the market to respond," he said.

Allowing "market forces" to suppress prices will not work because Australia is constrained in providing housing at a reasonable cost due to its small population and settlement structure – a growing population competing for housing in only two large cities. Inflated costs of building also worsen the housing conundrum.

Importantly, the few developers holding land have an incentive to "drip-feed" new housing at a rate that keeps margins healthy, maintaining high housing prices, Mr Fensham added.

"It is hard to identify the extent to which this is occurring in Sydney or Australian cities but Stockland, for example, implicitly admit to the balancing act in their 2015 annual report when they note that they 'activated 14,000 lots at target margins'," he said.

Pointing to research from Britain, he said: "Housing supply have only a limited effect on affordability unless they are large and sustained and are accompanied by changes in fiscal policy".

Mr Fensham recommended federal and state governments increase capital



Patrick Fensham says appropriate housing should be seen as infrastructure for a well-functioning city. PHOTO: DANIEL MUNOZ

investment in social housing and provide a tax credit or government-subsidised housing bond to support providers of affordable housing, including those from the private sector.

"As well as seeing appropriate housing as shelter and as an investment good, we also need to see it as infrastructure for a well-functioning, efficient and productive city. Just as we intervene to plan and develop infrastructure to support growth so we need to do the same for housing," he said.

An example of this is ensuring high-density communities in growth cor-

ridors to be built as far as 1500 metres from transport hubs instead of the first 400 to 800 metres.

Urban Taskforce's Chris Johnson disagreed developers were dripfeeding stock and maintained "choked supply", caused by a planning system that was too "democratic", was causing price rises. He agreed, however, there is a role for the government to lower the cost of land sales to developers in order to keep a lid on housing prices.

Developer Stockland said it has endeavoured to bring projects onto the market as quickly as it can clear

approval processes, often through multiple local, state and federal authorities.

"It is costly and inefficient for developers to hold inactive land," Stockland residential chief executive Andrew Whitson said. "We are now actively selling from 90 per cent of our projects and working to achieve planning approvals on the remaining 10."

The housing situation was unlikely to improve after the Reserve Bank cut the cash rate to 1.5 per cent on Tuesday and the major cities posted another housing price rise for July as indicated by Corelogic.